

REPORT TO: Audit Committee	DATE 21 July 2015	CLASSIFICATION Unrestricted	REPORT NO.	AGENDA NO.
REPORT OF: Corporate Director, Resources		Annual Governance Statement 2014/15 Ward(s) Affected: N/A		
ORIGINATING OFFICER(S): Minesh Jani <i>Head of Risk Management and Audit</i>				

1. Summary

- 1.1 This report sets out the framework for reviewing and reporting on the Council's system on internal control and governance arrangements in line with regulation 4(2) of the Accounts and Audit Regulations 2011. The purpose of the review is to provide assurance that the accounts are underpinned by adequate governance arrangements.
- 1.2 The output from the review is the Annual Governance Statement which forms part of the annual accounts and identifies areas of good governance and gaps in management of risks and control which may prevent the Council from achieving its desired outcomes.

2. Recommendation

- 2.1 The Audit Committee is invited to consider the process and findings set out in paragraphs 4.1 – 7.3; and
- 2.2 Agree the Draft Annual Governance Statement for the financial year 2014/15 at Appendix 3.

3. Background

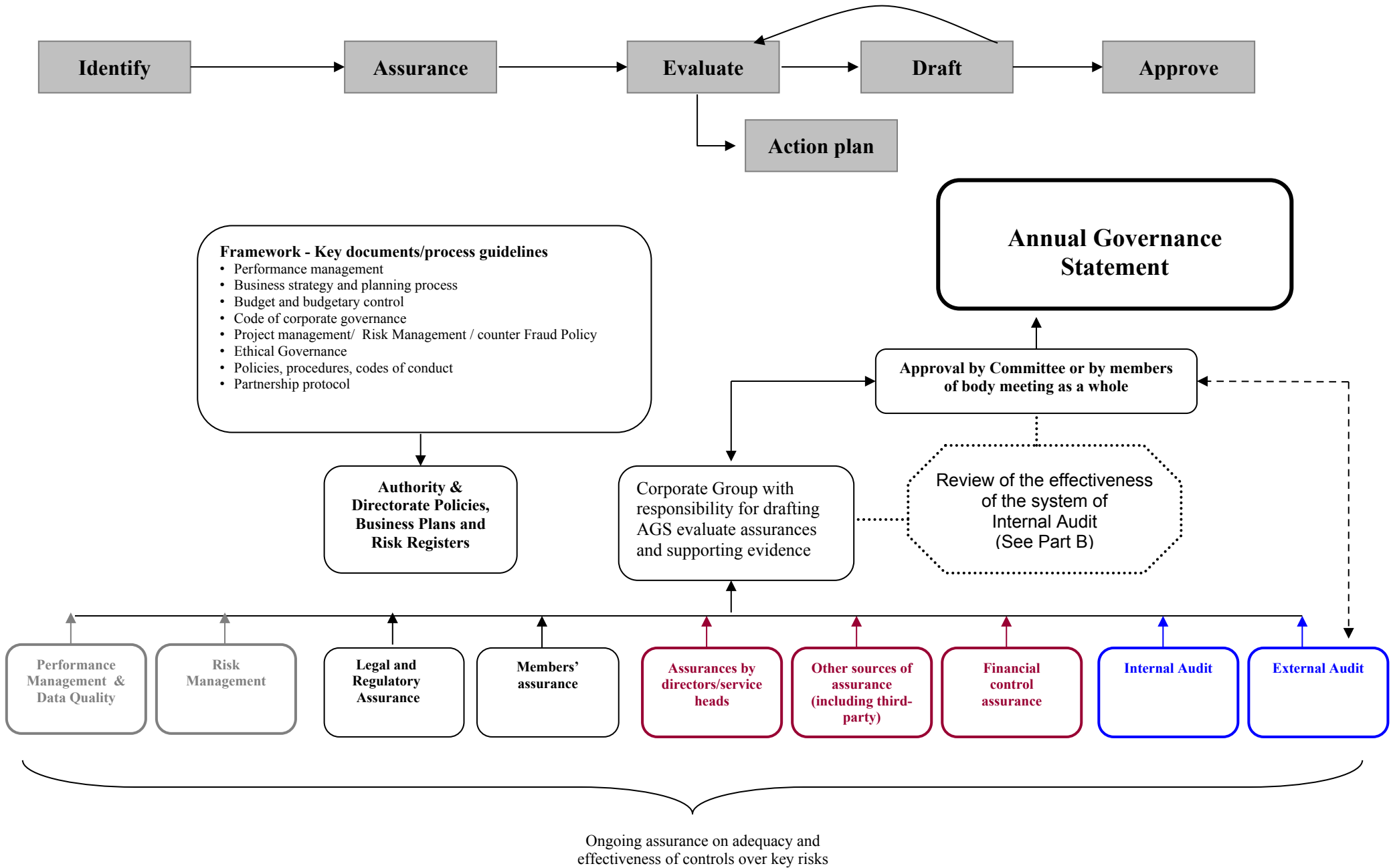
- 3.1 The Accounts and Audit Regulations 2011 require the Council to conduct an annual review of its governance arrangements and to publish an Annual Governance Statement (AGS) with the published financial statements. The Statement of Recommended Practice 2010 requires that the AGS be approved by the committee approving the accounts, which is the Audit Committee.

- 3.2 The statement will be signed by the Head of Paid Service and the Mayor. In order to sign the AGS they will need to be satisfied that the statement accurately reflects the governance arrangements and is supported by sufficient evidence. A review of the AGS by the Audit Committee and CMT is an integral part of providing sufficient assurance to the Head of Paid Service and the Mayor.
- 3.3 The statement needs to be finalised and signed to meet the deadline for the approval of accounts (provisionally 30th September 2015).

4. Reviewing the Internal Control Environment

- 4.1 CIPFA guidance sets out a process for gathering assurance on the system of internal control. This Assurance Framework is shown diagrammatically below. The key stages are:
 - Identify & review the internal control environment;
 - Obtain assurances on the effectiveness of those controls;
 - Evaluate those assurances and identify gaps in controls;
 - Plan actions to rectify those gaps; and
 - Draft the Annual Governance Statement.
- 4.2 The principal risks, controls and sources of assurance have been identified and considered by senior officers, which included a review of the control environment and issues raised in the 2013/14 statement.
- 4.3 It should be noted that on advice from KPMG the 2013/14 Annual Governance Statement has never been formally closed off and has been updated throughout 2014/15 for developments as they occurred. This updated statement has formed the basis for the completion of the 2014/15 statement.

Assurance Framework and the production of the Annual Governance Framework



5. Internal Control Environment

- 5.1 An internal control checklist was developed based on CIPFA guidance. This set out three key layers in the internal control environment:
- ◆ The processes for establishing statutory obligations and organisational objectives;
 - ◆ The processes for identifying the risks to the achievement of those objectives; and
 - ◆ The key controls to manage those risks.
- 5.2 A list of key policies and processes were identified for each area based on the guidance. These are set out in appendix 1 below. Evidence has been gathered to demonstrate that these exist and findings arising from these are considered in compiling the Annual Governance Statement for 2014/15.
- 5.3 No gaps were identified in the arrangements for **establishing principal statutory obligations & organisational objectives**. The Council has a defined Constitution, which is published on the Tower Hamlets website, and is dated April 2014. The Council's governance arrangements have been subject to a review in 2014/15 and officers have assessed the Council's arrangements in line with the publication of the CIPFA/SOLACE Code on Corporate Governance (in June 2007) and its subsequent updates. A report was presented to the Standards Committee with an action plan setting out additional steps the authority would take following an assessment against the code.
- 5.4 The Council has a Strategic Plan that reflects the priorities of the Community Plan. The Council has an effective performance management framework, including regular reports to the Corporate Management Team and lead members.
- 5.5 No gaps were identified in the arrangements for identifying the **principal risks to achieving objectives**. The Council has embedded a risk management strategy.
- 5.6 No gaps were found in the arrangements for **identifying key controls to manage principal risks**. The Council has a robust system of internal control. Business Continuity arrangements have been revised and tested. In 2014/15, the Business Continuity Planning team carried out a number of exercises. The Corporate Procurement Strategy was approved by Cabinet in November 2014 and the more recently; Cabinet has approved the Council's Procurement Imperatives setting out the Council's strategy around procurement.
- 5.7 Overall, the review found that the Council has all of the principal elements of an internal control framework.

6. Sources of Assurance

6.1 Having identified that the internal control framework contains the principal elements and that these can be evidenced, the principal sources of assurance were identified and evaluated. Matters arising from the review have been included within the AGS where appropriate and a summary of key sources of assurance are attached at Appendix 2.

7. Annual Governance Statement

7.1 The draft Annual Governance Statement is attached at Appendix 3.

7.2 The issues raised in 2013/14 are set out in the table below with an update showing their status.

Governance Issue	Status
Payments to third sector organisations outside Mainstream Grants.	Following our review this issue remains live and has been updated and included on the 14/15 AGS. This issue is being monitored in the Best Value Improvement Plan for Grants.
A comprehensive review of the management arrangements for the control and monitoring of grants.	Following our review this issue remains live and has been updated and included on the 14/15 AGS. This issue is being monitored in the Best Value Improvement Plan for Grants.
Financial and workforce impact of delivering the new and revised duties within the Care Act (Care and Health Reform Bill).	This issue has been closed as a separate significant governance issue due to the work to embed new process and procedure to the Council's governance framework to implement this new legislation.
Pupil Place Planning to expand school provision to meet the rising demand for places.	This issue has been closed as a significant governance issue and as an organisational risk continues to be monitored and mitigated via the risk management framework.
Budget pressures for adult social care packages have emerged during 2013/14, which have been contained within existing directorate resources. The on-going position however points to an unfunded set of adults social care package.	The Council faces significant financial risk in coming years due to the reductions in funding but these are managed and mitigated via the Medium Term Financial Strategy and other aspects of the governance framework. The Budget pressures within this year were managed. This issue has been closed.

Governance Issue	Status
Update the constitution to expand wording to clarify certain issues with the General Purposes Committee and update the local code of corporate governance.	The actions relating to this issue are yet to be completed therefore it will be relevant for the 2014/15 statement and updated accordingly. This issue is being monitored in the Best Value Improvement Plan for Organisation Culture Action Plan.
Election and pre-election period.	There were significant issues in this area in 2014/15 and although these were not attributed to the Council there has been due diligence to ensure free and fair election take place. This issue is being monitored in the Best Value Improvement Plan for election.
Enhance the financial system to maximise benefits derived from the enhanced functionality of the new finance system and refresh of financial regulations and procedures.	Following our review this issue has been closed as there are not resolutions or work arounds to the system issues.
Enhance contract management and contract letting process.	This issue is part of the best value performance plan and remains current for 2014/15. This issue is being monitored in the Best Value Improvement Plan for procurement.

7.3 The penultimate section of the 2014/15 statement sets out the key governance and control issues that have been identified by the process set out above. These are as follows: -

- Payments to third sector organisations outside of the main grant process.
- A comprehensive review of the management arrangements for the control and monitoring of grants.
- Strengthen controls over the disposal of assets.
- Publicity Expenditure Controls.
- Suitable appointments to the three statutory officer roles.
- Update the constitution to expand wording to clarify certain issues with the General Purposes Committee and update the local code of corporate governance.
- Election and pre-election period.
- Enhance contract management and contract letting process.
- Governance Arrangements in Schools.

8. Comments of the Chief Financial Officer

- 8.1 This report sets out the framework for reviewing and reporting on the Council's system on internal control and governance arrangements as required by regulation 4(2) of the Accounts and Audit Regulations 2011. The purpose of the review is to provide assurance that the accounts are underpinned by adequate governance arrangements.
- 8.2 The Chief Financial Officer comments are contained within the body of this report.

9. Legal Comments

- 9.1. The Council is required by regulation 4 of the Accounts and Audit Regulations 2011 to ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.
- 9.2. The Council is further required to conduct a review of the effectiveness of its system of internal control at least once a year. The review findings must be considered by the Council's Audit Committee and following the review the committee must approve an annual governance statement prepared in accordance with the proper practices in relation to internal control. The Audit Committee is designated as the appropriate body for this purpose by paragraph 3.3.11 of the Council's constitution. The subject report is intended to discharge the Council's obligations in this regard.
- 9.3. In relation to what constitutes "proper practices" it is appropriate for the Council to have regard to the relevant CIPFA code of practice.
- 9.4. In approving the annual governance statement, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't. The committee may take the view that a sound system of internal control will support delivery of the Council's various programmes and objectives that are targeted at these matters.

10. One Tower Hamlets

- 10.1 The maintenance of an effective system of internal control assists the Council to discharge its functions in accordance with its Community Plan objectives, including the cross-cutting theme of One Tower Hamlets.

11. Risk Management Implications

11.1 The review of the Council's governance arrangements has highlighted strategic risks that the authority is actively managing. The risk management framework is in place to ensure all strategic risks are reviewed and reported to the Corporate Management Team.

12. Sustainable Action for a Greener Environment (SAGE)

12.1 There are no specific SAGE implications.

Local Government Act, 1972 SECTION 100D (AS AMENDED)
List of "Background Papers" used in the preparation of this report

Brief description of "background papers"

Contact :

None

N/a

Assurance Control Checklist (summary)

Step	Description	Assurance
Objective 1: Establishing principal statutory obligations and organisational objectives		
Step 1: Identification of principal statutory obligations	Constitution	Yes
	Committee terms of reference	Yes
	Scheme of delegation	Yes
	System to identify and disseminate changes in legislation	Yes
	Evidence of dissemination	Yes
Step 2: Establishment of corporate objectives	Community & strategic plans	Yes
	Consultation on plans	Yes
	Service planning framework	Yes
	communication strategy	Yes
Step 3: Corporate Governance arrangements	Local code of corporate governance	Yes
	Audit Commission Corporate Governance review	Yes
	CIPFA/Solace checklist action plan	Yes
	Committee charged with corporate governance	Yes
	Governance training for members	Yes
	Role of Chief Finance Officer	Yes
Step 4: Performance management arrangements	Role of Head of Audit and Risk Management	Yes
	Performance Mgmt framework	Yes
	Performance Mgmt monitoring reports	Yes
Step 1: Risk Management strategy	Inspection reports	Yes
	Risk Management strategy	Yes
	Evidence of dissemination & review	Yes
Step 2: Risk Management systems & structures		
	Member forum	Yes
	Senior Mgmt Team reporting	Yes
	Member and officer lead	Yes
	Defined process for reviewing and reporting risk	Yes
	Corporate and departmental risk registers	Yes
Insurance and self-insurance review	Yes	

	RM training	Yes
Step 3:		
Risk Management is embedded	Committee reports include risk management assessment	Yes
	Risk is considered in business planning process	Yes
	Corporate risk management board	Yes
	Risk owners identified in registers	Yes
	Evidence of review of risk registers	Yes
	Risks considered in partnership working	Yes
Objective 3 Identify key controls to manage principal risks		
Step 1:		
Robust system of internal control, which includes systems & procedures to mitigate principal risks	Financial Regulations, incl. compliance with CIPFA Treasury Management Code and Prudential Code	Yes
	Contract Standing Orders	Yes
	Whistleblowing policy	Yes
	Counter fraud & corruption policy	Yes
	Codes of conduct, eg Members, Member : Officer etc	Yes
	Register of interest	Yes
	Scheme of delegation approved	Yes
	Corporate procurement policy	Yes
	Corporate recruitment and disciplinary codes	Yes
	Business continuity plans	Yes
	Corporate / departmental risk registers	Yes
	Independent assessment, by Internal & External Audit	Yes
	Audit Commission reliance on Internal Audit work	Yes
	Corporate health & Safety Policy	Yes
	Corporate complaints procedures	Yes

Summary of reports received in or pertaining to 2014/15

Reports	Reporting period	Report date
Annual Audit plan – KPMG	2013/14 accounts	March 2014
Opinion on Financial Statements	2013/14	September 2014
Grant Claim Report	2014/15	February 2015
Report to those charged with governance (ISO260) 2012/13.	2013/14	September 2014
Report to those charged with governance (ISO260) Pensions 2012/13.	2013/14	September 2014
Other		
Protecting the public purse 2013	2013/14	November 2014
Protecting the Public Purse Fraud Briefing 2014	2013/14	February 2014
Audit Committee-Fraud Briefing.	2013/14	December 2014
School Reports	2014/15	Various-2014/15
Children's Homes	2013/14	Feb/March 14
Complaints outcomes	2014/15	Various-2014/15
Audit Committee Terms of Reference	2014/15	June 2014
Membership, Quorum and Dates of meetings.	2014/15	June 2014

Annual Governance Statement 2014/15

London Borough of Tower Hamlets Council (Tower Hamlets) is required by law to prepare a statement that details the Council's framework for making decisions and controlling its resources. The statement includes the Council's governance arrangements as well as control issues. This statement should enable stakeholders to have assurance that decisions are properly made and public money is being properly spent on behalf of citizens. The statement below complies with the Accounts and Audit Regulations 2011 as amended.

This statement primarily covers the financial year 2014/15, however the Council's Statement of Accounts for 2013/14 remain unsigned by the External Auditors so the 2013/14 Annual Governance Statement has therefore never formally been closed off. This statement seeks to outline the activity to review, by both internal and external parties, the governance arrangements in place and the actions taken to date, and further ones planned, to generally improve and governance framework and focus attention on specific areas where issues have arisen.

On the 4th April 2014 the Department of Communities and Local Government (DCLG) appointed PricewaterhouseCoopers LLP (PwC) to carry out an inspection of compliance by the London Borough of Tower Hamlets with the requirements of Part 1 of the Local Government Act in relation to the authority's functions in respect of governance, particularly in respect of the authority's functions under Section 151 of the Local Government Act 1972 and as they relate to the following:

- The authority's payment of grants and connected decisions;
- Transfer of property to third parties;
- Spending and decisions in relation to publicity; and
- Processes and practices relating to entering of contracts.

PricewaterhouseCoopers published their final report on 4th November 2014. In their report, PwC reported that the authority was not achieving Best Value in the following areas:

- The authority's payments of grants and connected decisions;
- The transfer of property to third party; and
- Spending and the decisions of the authority in relation to publicity.

In respect of processes and practices relating to entering of contacts, the inspectors reported the Council was complying with its Best Value duty but highlighted areas where the authority could improve.

The Secretary of State considered the PricewaterhouseCoopers report and representations from the Council and issued Directions on 17 December 2014. Further directions were issued in April 2015. More information about the directions issued by the Secretary of State to the Council and the actions to comply are included within this statement.

Full details of the directions can be found at <https://www.gov.uk/government/news/secretary-of-state-sends-in-commissioners-to-tower-hamlets>.

Tower Hamlets was required to produce seven best value improvement plans as detailed below: -

- Procurement Action Plan
- Grants Action Plan
- Property and Disposal Action Plan
- Communications Action Plan
- Organisational Culture Action Plan
- Recruitment of statutory officers
- Elections

The Council is co-operating fully with the Commissioners to ensure it complies with the directions issued by the Secretary of State and the matters raised in the PwC report, and address the issues raised as soon as possible.

A Best Value Programme Review Board has been established to monitor the progress towards implementation of the actions contained within the various improvement plans. The Board provides reports to Corporate Management Team and Cabinet and will provide a report to the Secretary of State in September regarding progress; this information will be in the public domain.

Further information on the governance related findings of the PwC review, the directions and the subsequent actions are included in later parts of this statement. As would be expected this document contains areas of overlap with the contents of the Best Value Improvement Plan but the process to produce the statement seeks assurances from across the whole organisation from both internal and external sources. Where duplications occur this statement seeks to reference not duplicate other public documents. This statement also is focused on 'significant' governance issues to the organisation not issues of local significance within the Authority.

1. Scope of Responsibility

Tower Hamlets is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, Tower Hamlets is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. Risk management is a principal element of corporate governance, to this end a risk management strategy was adopted in March 2002 and is regularly reviewed and endorsed by the Mayor in Cabinet and the Head of Paid Service and was most recently endorsed in June 2014.

Tower Hamlets' has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government. A copy of the code is on our website at www.towerhamlets.gov.uk or can be obtained from the Council's monitoring officer. This statement explains how Tower Hamlets currently complies with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of the Annual Governance Statement.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority directs and controls its activities and through which, it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to achievement of Tower Hamlets' policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage any such risks efficiently, effectively and economically.

Tower Hamlets' governance framework exists through its systems, processes, culture and values. These are regularly reviewed. The governance framework has been in place throughout the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

3. The Governance Framework

The key elements of the systems and processes that comprise the Authority's governance arrangements are described below.

3.1 Vision and Priorities

The Council's vision is to improve the quality of life for everyone living and working in Tower Hamlets. This involves helping to create a thriving, achieving community in which people feel at ease with one another, have good learning and employment opportunities, experience a higher standard of living and good health, and enjoy a safe and an attractive environment together with a wide range of cultural and leisure opportunities.

The Council is part of the Tower Hamlets Partnership with a vision to 2020 set out in the borough's Sustainable Community Strategy, known as the Community Plan. The Community Plan has four main themes to make Tower Hamlets:

- **A Great Place to Live** - Tower Hamlets will be a place where people live in quality affordable housing, located in clean and safe neighbourhoods served by well connected and easy to access services and community facilities;
- **A Prosperous Community** - Tower Hamlets will be a place where everyone, regardless of their background and circumstances, has the aspiration and opportunity to achieve their full potential;
- **A Safe and Cohesive Community** - Tower Hamlets will be a safer place where people feel safe, get on better together and difference is not seen as a threat but a core strength of the borough; and
- **A Healthy and Supportive Community** - Tower Hamlets will be a place where people are supported to live healthier, more independent lives and the risk of harm and neglect to vulnerable children and adults is reduced.

Running through this vision is the core theme of “**One Tower Hamlets**” with a focus and drive around reducing inequality, strengthening community cohesion and working in partnership. The Council's Strategic Plan flows from the Community Plan and contains more detailed priorities and objectives for the Authority to deliver against. More information about the council's performance against the Plan and achievements in 2014/15 is available on the website and the 2015/16 Strategic Plan is located at http://www.towerhamlets.gov.uk/lgs/800001-800100/800022_community_plan/strategic_plan_2015-16.aspx.

The Strategic Plan is informed by the Mayor's key priorities including:

- Housing and Regeneration;
- Jobs and Local Economy;
- Cost of Living;
- Young People and Schools;
- Older People and Health;
- Community Safety and Community Cohesion;
- Environment and Public Realm; and
- Arts, Heritage, Leisure and Culture.

Underpinning the Community Plan Themes and corporate priorities are the core values, which all officers are expected to adhere to, to build a more effective organisation. The Council's values are:

- Achieving results
- Engaging with others
- Valuing diversity
- Learning effectively

There was significant consultation with local people to develop the Community Plan through Local Strategic Partnership (LSP) events, as well as targeted consultation including with young people, older people, faith groups and disabled people, culminating in the development of the Tower Hamlets Community Plan 2011. The Plan is being updated and will take the Borough through to 2019. The draft plan is due to be approved in September 2015.

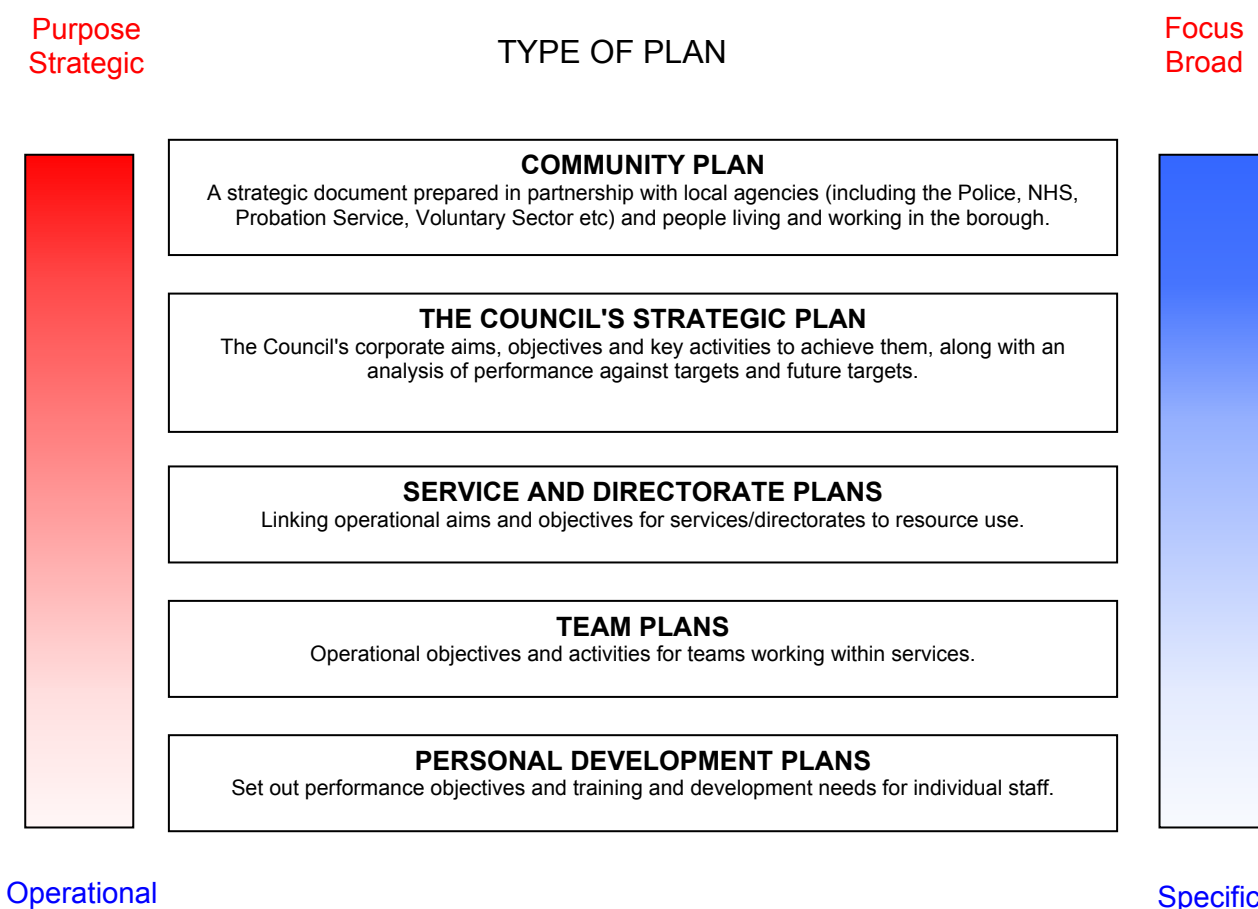
The vision, themes and priorities of the Community Plan are delivered through the Tower Hamlets Partnership structures which comprise the Partnership Executive, the Community Plan Delivery Groups (CPDGs), and localised governance structures.

The Community Plan falls within the Council’s Budget and Policy Framework. This requires that Overview and Scrutiny Committee are given 10 working days to comment on the draft plans, that the Mayor in Cabinet takes account of Overview and Scrutiny Committee comments in their consideration of the draft plans before recommending them to Full Council. The Plan is subject to approval by Full Council.

3.2 Corporate and Service Plans

The overall planning framework is illustrated in the following diagram. As the diagram below shows, the Council aligns its Strategic Plan with the Community Plan and is structured around the themes, priorities and objectives of the Community Plan.

The Strategic Plan is refreshed each year through Cabinet, at which time it is also reviewed by Overview and Scrutiny. The Community Plan is refreshed every three years.



The Council’s vision, priorities and objectives are used to structure all directorate service plans and Personal Development Plans (PDPs). This ensures that there is a “golden thread” that runs from the Community Plan to each individual employee’s work. This helps ensure that the vision, priorities and objectives are communicated to and delivered at all levels of the organisation. Further communication of core values and key initiatives takes place through the Council’s staff newsletter “Tower Hamlets Now”.

3.3 Performance Management

The Council operates a comprehensive performance management framework to ensure that strategic priorities are embedded in service, team and individual performance development plans; that resources are linked to operational aims and plans; and that progress against plans and targets is monitored and evaluated at all levels.

There is a mechanism by which all Council strategic performance indicators are challenged by annually risk assessed and a sample selected for testing by the performance management team supported by internal audit.

The Council's Corporate Management Team (CMT), comprising the Corporate Directors for each service (including the Council's Section 151 officer and the Monitoring Officer), is responsible for the overall management of the Council. The CMT also has responsibility for reviewing and challenging the Council's performance and delivery of the strategic plan. The Cabinet and the Overview and Scrutiny Committee receive regular reports highlighting Council performance.

3.4 Council Constitution

The Council has an agreed Constitution that details how the Council operates and sets out:

- the rules and procedures to be followed by the Council and committees when conducting their business;
- the decision making powers of the Executive and of Committees;
- the financial and contract regulations;
- the scheme of delegation to chief officers;
- the role of overview and scrutiny;
- the role and responsibilities of the Audit Committee;
- codes of conduct for councillors and employees;
- the whistleblowing arrangements; and
- members' interests and allowances.

Under the Council's constitution, the Executive is the elected Mayor, who makes decisions in respect of all executive matters which cover the operational delivery of Council services within the delegation set out under the executive powers of the constitution. In making his decisions the Mayor is supported by the Cabinet, Corporate Directors and other officers of the Council. The Full Council retains some strategic decision making responsibilities such as the budget approval and the setting of Council Tax. A scheme of delegation is in place to enable officers to manage their services operationally.

All key decisions required are published in advance in the Executive's Forward Plan, and will generally be discussed in a meeting open to the public.

There was a review of the constitution during 2013/14 which indicated that the constitution is fit for purpose and conforms to statute and best practice. The review has indicated that there are some areas of the constitution where we have options to expand or amend wording to clarify certain issues.

A verbal update on the work of the Constitutional Working Party was given by the Monitoring Officer to the General Purposes Committee in September 2014. The Monitoring Officer continues to work with the General Purposes Committee to complete the constitutional review.

The Council will consider and approve any changes proposed to the key strategic policies set out in article 4 of the constitution, including:

- the constitution;
- the corporate performance plan;
- the corporate strategy;
- the medium term financial plan including the capital programme and annual revenue budget;
- the licencing policy; and
- the local development framework.

3.5 Codes of Conduct

The Council has a code of conduct for officers supported by a requirement to make declarations of interest and to declare gifts and hospitality. Interests must be declared by officers above a certain grade and those in certain decision making and procurement positions. Officers are required to make a declaration at least annually. Officers are required to generally decline gifts and hospitality to ensure they are not inappropriately influenced. These codes and processes are made available to staff as part of their induction; they are also on the intranet and training is available to ensure every member of staff understands their responsibilities.

The responsibility to declare interests has also been extended to all tenderers and bidders as part of the procurement process.

Periodically the audit plan contains reviews relating to compliance with the codes of conduct. In 2014/15 declarations of interest

Councillors are required to make declarations of interest when elected and to consider their interests and make appropriate declarations at each meeting they attend. Councillors must also declare any gifts and hospitality with the records made public on the Council's website.

3.6 Rules, Regulations, Policies, and Procedures

The Council's rules and procedure is part of four of the Council's Constitution. The Council has a duty to ensure that it acts in accordance with the law and relevant regulations in the performance of its functions. It has developed policies and procedures to ensure that, as far as are reasonably possible, all Members and officers understand their responsibilities both to the Council and to the public. These include the Constitution, Standing Orders, Financial Regulations and Financial Procedures, Codes of Conduct and Protocols. Key documents are available to Members and staff through the Council's intranet and to a wider audience through publication on the Council's website. All policies are subject to periodic review to ensure that they remain relevant and reflect changes to legislation and other developments in the environment within which the Council operates.

The Care Act has been one of the most significant legislative changes to affect the Authority in 2014/15. During 2013/14 the Care Act, and in particular the financial risks associated with its implementation, was identified as a significant issue. Although the Council still faces significant financial challenges going forward the services involved in the implementation of the Care Act have worked together to ensure that the issue has been managed and risks mitigated and it does not remain a significant issue for monitoring in 2015/16.

3.7 Overview and Scrutiny

During 2014/15 the work of the Executive was scrutinised by an Overview and Scrutiny Committee and the Health Scrutiny Panel. A "call-in" procedure allows Scrutiny to review Executive decisions before they are implemented, and to recommend alternative courses of action.

The Overview and Scrutiny function reviews decisions made by the Mayor in Cabinet and raises proposals for the Mayor in Cabinet from its annual plan of work. The focus of their role is thus to provide a challenge and to support the development of policies. At their meetings they also consider performance monitoring information and have a key role in reviewing and challenging the Mayor in Cabinet's budget prior to consideration at Full Council.

In 2014/15 a number of decisions were called in these included for example the Cabinet decision relating to the Drug and Alcohol Action Team (DAAT) Commissioning Intentions; Call-in of Mayoral Executive Decision Contract Award – Direct Payment Support Service and the Medium term Financial Strategy update report.

An Annual Scrutiny Report detailing the work of the Overview and Scrutiny Committee and the Health and Scrutiny Panel is approved and presented to Council annually. The 2014/15 report is included in the May 2015 agenda of the Committee.

3.8 Monitoring of the Best Value Performance Plan

As detailed earlier in this statement the PwC inspection identified best value failings in relation to three out of the four areas reviewed and although there was compliance in the contract area there were noted areas for improvement. As a result of this and the subsequent directives for each of the four areas the Council has produced a best value action plan. The Plan was submitted to the Secretary of State in March 2015. Officers responsible for these improvement areas have regular meetings with the commissioners to review the progress against the action plan and a Best Value Programme Board has been set up to monitor progress. As required by the Directives this progress is then reported back to the Secretary of State every 6 months.

3.9 Audit Committee

For 2014/15, the Audit Committee comprised seven members; four from the majority group and one each from the three largest minority groups in proportion to their representation on the Council. The Audit Committee's remit is to review the Council's systems of internal control and its risk management and governance arrangements, as outlined in the Public Sector Internal Audit Standards. The Audit Committee also reviews audit findings and the effectiveness of the internal audit function. Specifically, the core functions of the Audit Committee are to consider the annual audit plan and the performance of internal audit; to be satisfied that the authority's annual governance statement properly reflects the risk environment; to demonstrate its fiduciary responsibilities in preventing and detecting fraud; to monitor the authority's risk management framework; to meet the accounts and audit regulations in respect of approving the authority's Annual Financial Report, including the annual statement of accounts, and to consider reports from the Council's external auditor, KPMG. The Audit Committee met four times during the financial year 2014/15.

3.10 Internal Audit

Internal audit is an independent appraisal function that measures, evaluates and reports upon the effectiveness of the controls in place to manage risks. Internal Audit provides assurance and advice on internal control to the Mayor, the Corporate Management Team and Members. Internal Audit reviews and evaluates the adequacy, reliability and effectiveness of internal control and where relevant, recommends improvements. It also supports the management of the Council in developing its systems and providing advice on matters pertaining to risk and control. In carrying out this function Internal Audit contributes to the discharge of the Corporate Director, Resources' Section 151 responsibilities.

The work of the Internal Audit Section is monitored and reviewed by the Audit Committee. Annually the Head of Audit and Risk Management is required to give an opinion on the Council's internal control framework based upon the work carried out during the year in the form of an annual report. This report is one of the sources of assurance used in the preparation of this statement. For 2013/14, the overall the control environment is adjudged to be adequate the opinion has also been provided for 2014/15.

Following the publication of the Public Sector Internal Audit Standards (PSIAS), the Council's internal audit arrangements have been updated and the Audit Charter endorsed by the Audit Committee most recently in June 2014.

The Head of Audit & Risk reports quarterly, on a formal basis, to the Corporate Management Team on findings of audit work and investigations. He also meets as required with CMT members individually as well as other officers with roles key to the Governance Framework to discuss governance related issues. The internal audit charter, setting out the purpose and authority and responsibility of internal audit was approved by CMT and the Audit Committee in June 2014.

To support the monitoring and assurances available with regards the completion of the Best Value Action Plans the 2015/16 Internal Audit Plan includes some focused work to ensure that improvements to the control environment have been embedded and are working efficiently and effectively.

3.11 External Audit

The Council's external auditors, KPMG:

- Review the Council's accounts to ensure that they comply with statutory requirements and that proper practices have been observed in compiling them; and
- Conclude on the Council's arrangements in place for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

In 2012/13 KPMG issued an unqualified audit opinion on the Council's financial statements and were satisfied that the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for that year.

The external auditors have not completed their enquiries in respect of the 2013/14 financial year and have not issued their audit opinion on the Council's financial statements for 2013/14. Following conclusion of the external auditor's work, their opinion will be reported to the Audit Committee in line with agreed protocols.

3.12 Whistle Blowing Policy and the Complaints Procedure

The Council has a recognised complaints process which is administered by the Complaints and Information team. The complaints process comprises of a number of stages to enable the public to escalate their complaints if they are not satisfied with the answer they receive. Details of complaints are monitored by the Monitoring Officer and the Standards Advisory Committee.

The Mayor and elected Members also receive enquiries and complaints via their surgeries, walkabouts and question time activities. The Council has arrangements to support members in addressing these queries to ensure that the public receive an appropriate answer.

The Council also has a whistle blowing policy which is actively promoted with the number of whistle blows received during the year reported to the Corporate Management Team and the Audit Committee. The effectiveness of this policy and the type of issues raised are reviewed and monitored by the Audit Committee on an annual basis.

3.13 Risk Management

The Authority has a Risk Management Strategy to identify and manage the principal risks to achieving its objectives. The principles of risk management are embedded in the Council's decision making processes. The Strategy recognises that when making decisions the Council may not always adopt the least risky option, particularly where the potential benefits to the community warrant the acceptance of a higher level of risk. All committee reports seeking decisions or approval to a proposed course of action contain an assessment of the risk involved and both financial and legal comments.

Key risks are recorded in corporate and directorate risk registers, which are subject to periodic review and reporting to the Corporate Management Team. Directorate Risk Champions oversee the continued development of the Council's approach to risk management.

During 2014, Zurich Municipal Engineering supported the risk management framework by undertaking a review of the Council's risk management arrangements and suggested enhancements to further embed risk management within the organisation and facilitating workshops with the Corporate Management Team and Directorate Management Teams. The risk team has developed an action plan and an Annual report which was also shared with the Audit Committee in June 2014, which continues to be monitored.

3.14 Information Governance

Tower Hamlets has established two groups to oversee Information Governance as a risk area and ensure robust governance arrangements are in place and adhered to across the organisation. An Information Governance Group meets six weekly to discuss issues arising and the Freedom of Information Board, which is co-ordinated by legal Services, has overall oversight. In 2014/15 the Authority participated in a voluntary inspection by the Information Commissioners Office (ICO) to generate independent assurances with regards the arrangements in place. An action plan has been developed following this inspection and signed off by the Freedom of Information Board before being submitted to the ICO. The action plan agreed with the ICO and monitored by the Information Governance Group.

During 2014/15 all high level Information Governance Policies were reviewed and updated.

3.15 Financial Management

Statutory responsibility for ensuring that there is an effective system of internal financial control rests with the Corporate Director, Resources (the Council's S151 officer). The system of internal financial control provides reasonable assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or will be detected.

The Council's medium term financial plan sets out the need to deliver financial savings to 2019/2020. Arrangements have been made to identify opportunities and for the delivery and reporting of savings to CMT and Cabinet.

Internal financial control is based on a well established framework of financial regulations and financial procedures which include the segregation of duties, management supervision and a system of delegation and accountability. On-going development and maintenance of the various processes is a management responsibility. The control arrangements in 2014/15 included:

- comprehensive corporate and directorate budgeting systems;
- an annual budget approved by the Council that reflects strategic priorities;
- a medium-term financial plan incorporating an analysis of the financial risks facing the Council over the next three years and an assessment of the adequacy of General Fund and HRA reserves;
- regular reporting of actual expenditure and income against budgets and spending forecasts and service performance against targets;
- an annual Treasury Management and Investment Strategy including a prudential borrowing framework and associated indicators; and
- standing meetings of finance managers from across the Council (Finance Strategy Group and the Financial Reporting Technical Excellence Group).

Since the publication of the CIPFA statement on the role of the Financial Officer in Local Government (2010), a self assessment of the Council has shown the authority conforms to the good practice identified within the code.

3.16 The Efficient and Effective Use of Resources

Value for money and continuous service improvement are secured through a range of processes, including the application of best value principles and the carrying out of efficiency reviews. During 2014/15, the Council continued work on its efficiency programme and has made plans to manage with significantly reduced financial resource in the future. As part of its service and financial planning process, the Council set efficiency targets and brought performance data into the consideration of resource allocation.

As noted earlier in this statement, the authority has been subject to a Best Value inspection and the findings arising from the inspection are captured under review of effectiveness (Section 4). KPMG's most recent assessment on the Council's arrangements in place for securing economy, efficiency and effectiveness in its use of resource in relation to 2012/13 concluded that the Council had put proper arrangements in place.

The strategic planning process ensures that resources are focused on the priorities set out in the Strategic Plan. Processes for service and financial planning are aligned and the annual budget process evaluates new requirements for resources in terms of their contribution to the objectives of the Strategic Plan. Corporate guidance on team planning requires consideration of value for money issues in developing annual objectives. Reports concerned with proposed expenditure, reviewing or changing service delivery or the use of resources contain an efficiency statement setting out how the proposals will assist towards achieving greater efficiency together with associated Equality Impact Assessments.

During 2014/15 residents were also consulted through the Your Borough Your Voice campaign and a series of local meetings, a survey and workshops about their views on how the council can make most effective use of resources to meet local priorities.

Tower Hamlets also participates in the National Fraud Initiative (NFI) a computerised data matching exercise, led by the Audit Commission, designed to detect fraud perpetrated on public bodies. The Corporate Anti-Fraud team continues to actively engage with the Audit Commission to test and improve the output from the NFI exercise. The findings were reported to CMT and the Audit Committee, the exercise is completed every two years and for 2.

The Council is deploying increasing innovative approaches to tackle risks to deliver value for money services. One example would be the activity to link debtors across a number of Council Activities to ensure the more efficient and effective use of Council resources in pursuit of the debts and to improve outcomes through a targeted approach.

3.17 Learning and Organisational Development

The Council has a commitment that every member of staff receives an annual appraisal to discuss performance, targets and personal development. The Council provides a range of training opportunities for managers and staff to ensure that they are best equipped to deliver excellent public service. These include a Leadership programme, specific training relating to Recruitment and Selection, Risk Management, and computer based training.

Councillors have a member support officer and a development program to keep them up to date with changes and to support training needs. Training is supplemented by information through briefings, conferences and weekly bulletins. For some aspects of Council work Members are required to undertake a period of study and pass a test to ensure they can demonstrate appropriate competence, for example the Licensing Committee.

3.18 Communication and Engagement

The Council publishes numerous documents on its website as well as providing a weekly paper, East End Life to keep residents up-to-date, in an informal and accessible way, on the work of the Council. A review of the value for money and compliance of East End Life was requested as part of the Best Value Action Plan. This was undertaken and its findings are being considered by the Commissioners and the Council's Mayor.

The Council also engages with citizens through surveys such as the annual resident's survey and a tenants' survey. These help to inform the Council on the perception of the services it provides and the experience of services users. Further, the authority uses a wide range of digital media to engage with a wide range of stakeholders. The Council's website is continually being developed to provide more information, enable more services to take place electronically and to receive comments from all stakeholders.

On a more local basis the Council has a number of community forums which are used to engage with the community. Young people make up a greater proportion of the Tower Hamlets population compared to the rest of London, and the Council has thus sought to engage with them by enabling them to vote for a young Mayor of the Council. The young Mayor has a clear manifesto and is working to make a difference to young people's lives within the borough.

The Mayor's twice weekly surgeries with community groups, local businesses and others also provide direct communication and engagement with all stakeholders.

Elected Members of the council also hold regular surgeries for their wards.

3.19 Partnerships

The most significant partnership for the Council is the Tower Hamlets Partnership. In February 2012, the partnership structure was refreshed. In the new structure, the Partnership Executive and Board has been rationalised but still with responsibility for developing the overall strategy and for ensuring plans are delivered. The Community Plan Delivery Groups have been updated but with continued focus on the five key themes in the community plan including the statutory boards. At a ward level Local Community Ward Forums enable local people to engage with the council and identify local priorities and projects for co-delivery.

Due to the Care Act and the drive towards more integrated services the Council has in 2014/15 been working in partnership with the Clinical Commissioning Groups, BARTs and East London Mental Health Trust. A formal partnership called the Tower Hamlets Provider Partnership will be created and the Council is committed to working to achieve shared outcomes with the members of the partnership. There are also partnership arrangements with the Police, Probation and Youth Justice services to help to meet the targets for reducing crime and making Tower Hamlets a safer and stronger community.

The Council has an established Arm's Length Management Organisation, Tower Hamlets Homes, a wholly owned subsidiary limited by guarantee to manage its housing stock. Tower Hamlets Homes has a formal governance structure and manages its internal affairs and delegated budgets through the Company's Board. Performance is monitored through a regular review process with senior council officers and elected Members. The company operates its own risk management strategy and is subject to internal and external inspections and audit in compliance with the Companies Acts.

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of governance environment, the head of audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The review involved the evaluation of the key sources of assurance:

- The Council evaluated its corporate governance arrangements against good practice criteria set out in the CIPFA/SOLACE guidance. The arrangements were found to be sound albeit recommendations were made to enhance current arrangements.
- The annual Head of Audit Opinion expressed the opinion that overall the Council's system of internal control is adequate.
- The risk management framework, including the corporate and directorate risk registers, provides assurance that the key risks to strategic objectives are managed effectively and are monitored by senior officers and Members.
- The Council is subject to external audit activity both corporately and for individual services. The judgements of the external auditors contained in their annual audit letter and other reports provide assurance that the Council has a reasonable system of internal control.
- Monitoring of performance shows improvement in performance against external measures, the Council's own targets and in comparison to other authorities.
- Monitoring of the 2013/14 Significant Governance Issues as well as the actions plans arising from the PwC review of best value.

Appendix 3

- The provisional outturn on the 2014/15 budget shows that the financial management systems and processes of the Council succeeded in keeping expenditure within planned limits.
- Quarterly monitoring of strategic risks of the Council by the Corporate Management Team and the Mayor's Advisory Board.
- Meetings with Corporate Management Team Members who have reviewed their own directorate governance issues and actions with their Directorate Management Teams to seek input to the issues at a Corporate level.

There has also been significant work in prior years to review and improve the Authorities Governance Arrangements and this work is considered in the process to produce this statement. Two examples of this are outlined in the following paragraphs.

The Council's Standards Advisory Committee received an update in June 2013 of the Council's current local governance arrangements and the report recommended areas of improvement as part of the continuous improvement processes of the Council's governance arrangements. Actions arising from this review continue to be monitored and implemented; a further review of the Council's governance arrangements commenced in 2014 with meetings taken place with the General Purposes Committee this work is yet to be concluded at the time of preparing this statement.

Independent Members of the Standards Advisory Committee review the Council's performance in adhering to the core principles of good governance, which form Tower Hamlets Code of Corporate Governance. Following abolition of the Standards Board for England, local arrangements have been put in place including a code of conduct for elected members with a report being presented to the Full Council on 16 May 2012. The new regime operated from 1 July 2012.

We have been advised on the implications of the review of the effectiveness of the governance systems of the Council having regard to the sources of assurance set out in this statement, and we are satisfied that the system of control is effective. We propose over the coming year to take steps to further enhance our governance arrangements.

Significant Governance Issues

The PwC review and our own internal review of the effectiveness of the governance arrangements in place during 2014/15 has identified some areas where action is appropriate to enhance the Council's governance framework. The significant issues and the specific actions to address that have been taken and those planned for the future are set out below and in all cases, due to the on-going monitoring of the governance framework, work is already underway to address the action points.

Each significant governance issue has an identified CMT lead who takes responsibility for progress and implementation. The actions identified within this statement form part of the performance management framework for each director and will be incorporated into their directorate performance plans.

The overall process is overseen by the Audit Committee who approves the Annual Governance Statement prior to it being signed off by the Mayor and the Head of Paid Service. In 2015/16 an additional report regarding the Annual Governance Statement Action Plan will be presented to Audit Committee to demonstrate the progress achieved.

Governance Issue and action taken to date	Next Steps and expected resolution date	CMT Lead
<p>1) Payments to third sector organisations outside Mainstream Grants.</p> <p>Internal audit received an external referral and as a result of the subsequent review found that there were irregularities in payments made by the Council to an organisation. This matter has been reviewed to the police.</p> <p>Further investigation has resulted in more organisations being referred to the police.</p> <p>The systems and processes have been improved and increased compliance work has been completed and embedded into control environment.</p>	<p>Finalisation of schedule of all grant regimes by July 2015 which will ensure from that point no approved grant is paid.</p>	<p>Corporate Director - Communities, Localities and Culture</p>
<p>2) Management arrangements for the control and monitoring of grants.</p> <p>In view of the issues raised by the inspection around the current Mainstream Grant Programme and any future refresh of the programme, consideration is being given to proposals to improve the governance arrangements for third sector grants. This will include improvements to management functions and systems, controls and processes.</p> <p>Currently the Commissioners are approving all</p>	<p>A corporate grant function will be created to enhance consistency of approach to grant giving, monitoring and reporting across the Council. It is also anticipated that the function will ensure approved grant is only paid following proper due diligence of the organisations, and outcomes expected from the grant.</p> <p>There is a Best Value Performance Plan for Grants</p>	<p>Corporate Director - Resources</p>

Governance Issue and action taken to date	Next Steps and expected resolution date	CMT Lead
<p>grants.</p> <p>There is a comprehensive review of the whole service and new approach to audit.</p>	<p>which contains a number of actions to strengthen governance arrangements.</p> <p>Deadlines and milestones occur throughout the financial year with the final actions to be completed March 2016.</p>	
<p>3) Strengthen controls over disposal of assets that demonstrate best value is secured by the Council.</p> <p>Following the inspection disposal of assets is part of the Best Value Action Plan – Improvements to process have been made. Currently the Commissioners have the relevant Executive Powers. An assurance has been agreed by cabinet and embedded in financial regulations. A report has been provided to CMT.</p> <p>Internal Audit work in this area also generated actions which have been implemented.</p>	<p>Arrangements are being made to improve the outcomes for the Council from its assets which require the asset management strategy to be reviewed and approved by Cabinet.</p> <p>Audit work will provide assurances with regards compliance.</p> <p>There is a Best Value Performance Plan for Property which contains a number of actions to strengthen governance arrangements.</p> <p>Deadlines and milestones occur throughout the financial year with the final actions to be completed March 2016.</p>	<p>Corporate Director - Development and Renewal</p>
<p>4) Publicity Expenditure Controls</p> <p>This issue was identified during the inspection and the Authority subsequently received directions relating to publicity expenditure.</p> <p>To date new Strategy and Protocol documents have been produced and a fully costed communications plan is now in place.</p>	<p>There is a Best Value Performance Plan for Communications which contains a number of actions to strengthen governance arrangements.</p> <p>Future planned actions include a new system and implementation of a testing regime to ensure compliance with relevant code and other requirements.</p> <p>Deadlines and milestones occur throughout the financial year with the final actions to be completed December 2015.</p>	

Governance Issue and action taken to date	Next Steps and expected resolution date	CMT Lead
<p>5) To make suitable permanent appointments to the posts designated as statutory officers of the Council.</p> <p>All statutory officer posts are in various stages of the appointment process with a view to making permanent appointments as soon as possible.</p> <p>The Authority has complied with the directions, by agreeing the design. For two of the three statutory roles the new post holder will start July. For the Head of Paid Service/Chief Executive role it is expected to be by September.</p>	<p>It is expected that issue will be closed by September 2015 with all appointments having been made.</p>	<p>Council</p>
<p>6) Update the constitution to expand wording to clarify certain issues with the General Purposes Committee and update the local code of corporate governance.</p> <p>The Local Government Association reviewed the Council's constitution and indicated that the constitution is fit for purpose and conforms to statute and best practice. Further, recognising that there may be areas where the authority may learn from other authorities with an Executive Mayor, an independent external review was also commissioned comparing the Council's constitution with those of similar local authorities. This review confirmed there were no fundamental weaknesses or gaps in the Council's constitution. There are opportunities to word elements more clearly or tighten up some areas of process to enable the Executive and non-Executive business to run more smoothly.</p> <p>The work to review the constitution commenced in 2014 but is not yet complete.</p> <p>There were some minor issues around scheme of delegation raised through audit work in 2014/15.</p> <p>External Review of Virements was completed in 2014.</p>	<p>Review of the constitution.</p> <p>Review of the Schemes of Delegation and implementation of an annual review process which will be confirmed as part of the annual governance processes embedded within the organisations governance framework.</p> <p>It is anticipated the work in this area will be completed by March 2016. Although there will be on-going review and update of the constitution there after as part of the usual business of the Authority.</p>	<p>Monitoring Officer – Law Probity and Governance</p>

Governance Issue and action taken to date	Next Steps and expected resolution date	CMT Lead
<p>7) Elections</p> <p>Elections in Tower Hamlets are always vigorously contested and a recent election petition judgement found no wrong doing by the Returning Officer but did result in the Mayor being removed from the office.</p> <p>The Electoral Commission made various recommendations about improving the trust and confidence in the integrity of May 2014 elections, which have been implemented.</p> <p>The Electoral Commission has reviewed progress in the implementation of the recommendations and has strongly supported the steps that have been taken.</p> <p>In preparation for the 2015 general election, further action is planned to tighten up procedures around registration for, and management of postal votes. Other actions include; joint on-going working between the Returning Officer and police to deter and detect electoral fraud; local protocol committing all those involved in May 2014 elections to work towards free and fair elections; pre-election guidance reviewed and issued to all managers, staff and members and pre-election restrictions from 14 April including complete review of Council website and other publicity.</p>	<p>There is a Best Value Performance Plan for Elections which contains a number of actions to strengthen governance arrangements.</p> <p>Deadlines and milestones were identified leading up to May 2015 and where required the date of the elections.</p> <p>The actions identified were implemented for the Mayoral elections on 11 June 2015.</p>	<p>Returning Officer – Law Probitry and Governance</p>
<p>8) Enhance contract management and contract letting process.</p> <p>The PwC inspection report confirmed the Authority was compliant with the principals of Best Value in the processes however there were pockets of non-compliance in some areas that caused concern and a best value performance plan was produced and monitored during the year as a result.</p> <p>The Procurement Strategy and procedures have been refreshed and adopted.</p> <p>To ensure compliance around procurement, the Competition Planning Forum and the</p>	<p>There is a Best Value Performance Plan for Procurement which contains a number of actions to strengthen governance arrangements.</p> <p>Future planned actions include an Annual Procurement Report, three year strategy and Supplier Ethical Code of Conduct.</p> <p>Deadlines and milestones occur throughout the financial year with the final actions to be completed April 2016. This area will be picked up by future audit</p>	<p>Chair of Competition Board – Interim Corporate Director, Resources</p>

Governance Issue and action taken to date	Next Steps and expected resolution date	CMT Lead
<p>Competition Board continue to monitor and recommend the best course of action for all significant purchases.</p> <p>The new procedures now provide greater visibility and input from the Corporate procurement team and over the next financial year, the team plan to seek better outcomes from the organisation's spend and enhance contract monitoring arrangements across the organisation.</p>	<p>work.</p>	
<p>9) Governance arrangements at schools</p> <p>Following internal audit findings from regularity audits of schools and external referrals alleging irregularity at some schools, the governance arrangements are being reviewed with a view to ensuring sound practices are in place.</p>	<p>Continued audit work of Schools.</p> <p>Review of the approach to audit work with schools and relevant Council service areas to achieve a holistic approach to assurance gathering and identify efficient and effective ways in which the overall control environment can be improved.</p> <p>It is anticipated that work in 2015/16 to strengthen the governance arrangements will be completed by March 2016 it is possible that the outcomes from this work will not be tangible until 2016/17 however the status will be monitored and reviewed as part of the process to produce the 2015/16 statement..</p>	<p>Corporate Director - Education, Social Care and Wellbeing</p>

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements and address the matters raised in the Best Value inspection. We are satisfied that these steps will address the need for improvement that were identified in our review of effectiveness and will monitor progress periodically and confirm their implementation and operation as part of our next annual review.

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Head of Paid Service

Date:

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Mayor

Date: